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ABSTRACT

This paper presents the results of an exploratory analysis of suburban housing opportunities for working class minorities, using data for the nation as a whole and for five metropolitan areas. Chapter 1 is an introduction and summary of the paper. Chapter 2, "Dimensions of the Problem," covers the following topics: (1) household incomes and housing location; (2) housing expenditures and affordability; and (3) suburban housing opportunities. Chapter 3 "Addressing the Problem," covers housing policy matrix and designing a metropolitan strategy. Section 4, "Keys to Understanding the Problem Better," covers the following topics: (1) availability of affordable housing; (2) location of affordable housing; (3) minority access to affordable housing; and (4) summary. This analysis demonstrates that serious problems of excessive cost and lingering discrimination discourage poor and working class minorities from gaining access to affordable housing opportunities in the suburbs. Moreover, these problems appear to prevail in most U.S. metropolitan areas. However, the composition and causes of these problems vary substantially from one metropolitan area to another. Thus, solutions must be tailored to the metropolitan context, and must be supported by thorough analyses of local patterns of housing affordability and availability. Seven tables, six figures, and one matrix are presented. A list of 10 references is included. Operational definitions of income classes and affordability standards are appended. (JS)

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METROPOLITAN HOUSING OPPORTUNITIES FOR POOR AND WORKING CLASS MINORITIES

Margery Austin Turner
Douglas B. Page

The Urban Institute
(#3698)
October 1987

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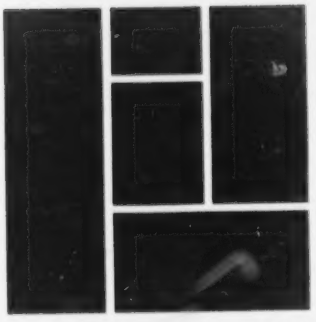

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1. Introduction and Summary

Recent trends show that job opportunities are expanding far more rapidly in the suburbs than in the central cities of U.S. metropolitan areas. Moreover, it appears that jobs remaining in the central city are increasingly dominated by technical, white collar occupations, so that blue-collar and semi-skilled workers must look to suburban employment centers for job opportunities.[1]

If jobs are indeed shifting from America's central cities to the outlying suburbs, opportunities for employment will depend increasingly on the availability of affordable housing in suburban communities. In particular, if minorities cannot gain access to suburban housing, a growing share will remain trapped in central city neighborhoods where job opportunities appear to be declining.[2] Thus, both the availability of affordable housing in the suburbs and minority access to it will grow in importance as determinants of the employment and income potential of minority families.

This paper presents the results of an exploratory analysis of suburban housing opportunities for working class minorities,

---

1. See, for example, Kasarda (1987) and Ellwood (1986). Note that the decline in central city employment is attributable not only to suburban employment growth, but also to the relocation of jobs to rural areas in the U.S. and to other countries. This paper's focus, however, is limited to the issue of minority access to suitable jobs within U.S. metropolitan areas.

2. While housing location is not the only determinant of access to job opportunities, Galster (1984), Leonard (1984), and others have shown that black access to employment opportunities declines as the distance between jobs and black neighborhoods increases.

using data for the nation as a whole and for five specific metropolitan areas. Our analysis indicates that

Poor households (annual incomes below $15,000) consistently have to spend an excessive share of their incomes on housing, because the supply of units they could reasonably afford is seriously deficient.

The supply of housing that is reasonably affordable for working class families ($15,000 to $25,000 incomes) is generally adequate.

However, the market for moderate cost housing is considerably tighter in some metropolitan areas than in others.

In general, moderate cost housing is quite evenly distributed between central cities and suburbs, although in some cities only affluent families can reasonably afford to live in the suburbs.

We do not know where in the suburbs the moderate cost housing is located; it may be concentrated in older, close-in communities, or it may be more widely distributed, providing reasonable proximity to areas of job growth.

Blacks have not yet gained equal access to suburban housing opportunities, even though they could afford a large share of the housing units in the suburbs.

Hispanics do not appear to confront the same degree of housing discrimination in the suburbs as blacks.

These results raise at least as many questions as they answer. A complete assessment of the housing problems confronted by poor and working class minorities will require a thorough analysis of individual metropolitan areas, using more sensitive measures of housing affordability and location. Specifically, for a given metropolitan area, one would need to address the following issues:

What are the characteristics -- in particular, size and physical adequacy -- of the housing units that poor and working class families can afford?

Are the dwelling units that are actually available for occupancy -- new units and units turning over -- affordable for poor and working class families?

Where are the centers of employment growth in the metropolitan area, and how affordable are housing opportunities in nearby communities?

To what extent are blacks concentrated in particular central city and/or suburban neighborhoods?

What local circumstances -- spatial and economic development, demographic trends, jurisdictional boundaries, and local land use, zoning, and regulatory policies -- explain prevailing patterns of housing availability, affordability, and racial integration?

Despite the many unanswered questions, the exploratory analysis presented here outlines the dimensions of a serious national housing problem, demonstrating that black households in particular do not enjoy equal access to affordable housing opportunities in suburban areas. Addressing this problem will require aggressive efforts at the metropolitan scale. An effective strategy for opening up suburban housing opportunities for minority households would have to integrate a wide range of policies that are currently implemented independently, tailoring the exact mix of policies to the unique circumstances of a particular metropolitan setting.

2. Dimensions of the Problem

The supply of affordable housing, its location, and its availability to minority families all vary sharply from one metropolitan area to the next. And the fact that suburban housing opportunities may be easily accessible to blacks in some cities is of no value whatsoever to a black family looking for a home in a more restrictive metropolitan area. Local geography, jurisdictional boundaries, and land use controls, as well as the history of a particular metropolitan area's growth are among the factors that determine the degree of economic and racial segregation. Clearly, policies designed to address problems of housing affordability and expand minority access to suburban neighborhoods must be tailored to local circumstances if they are to be effective.

Despite the diversity of local conditions, serious problems of housing affordability and racial discrimination persist across the board. This paper focuses on these common problems, documenting their magnitude across all metropolitan areas in the U.S. Specifically, we use data from the 1983 national American Housing Survey (AHS) to examine the affordability of central city and suburban housing, as well as minority access to suburban housing opportunities.

In addition, we present comparable data collected between 1980 and 1983 from five specific metropolitan areas to illustrate variations on our basic findings. At this stage, we have made no

attempt to explain the differences between metropolitan areas. The five metropolitan areas -- Atlanta, Los Angeles, Baltimore, Chicago, and Indianapolis -- are by no means representative of all metropolitan areas. Instead, they were selected as examples of areas with quite different growth rates, economic conditions, housing markets, and racial composition. Exhibit 1 summarizes key characteristics of the five metropolitan areas, compared to the national metropolitan average.

EXHIBIT 1:
Metropolitan Area Characteristics

	National Average	Atlanta	Balti-more	Indiana-polis	Chicago	Los Angeles
Households	979,600	642,600	771,400	422,300	2,464,100	2,718,300
Annual % Growth in Households	0.88%	2.93%	0.93%	2.63%	0.03%	0.98%
% Black	12.3%	25.4%	18.8%	11.7%	18.2%	12.3%
% Hispanic	6.7%	1.2%	0.8%	0.7%	6.7%	19.6%
% Central City	43.5%	25.4%	36.1%	60.6%	42.5%	46.8%
Median Income						
Owners	$24,400	$30,700	$29,600	$23,600	$31,700	$25,600
Renters	$12,800	$14,900	$14,400	$12,100	$14,300	$12,000

Source: Urban Institute tabulations of published American Housing Survey and Census of Housing data. National - 1983; Atlanta - 1982; Baltimore - 1983; Indianapolis - 1980; Chicago - 1983; Los Angeles - 1980.

The remainder of this section presents our empirical findings. We begin by briefly summarizing data on household incomes and on the distribution of households between central city and suburban neighborhoods. Next, we discuss what households at different income levels spend for housing, and what

can reasonably be considered "affordable." This makes it possible to examine the availability and the location of housing that is affordable for poor and working class households. Finally, we present data on the degree of minority access to suburban housing opportunities.

Household Incomes and Housing Location

The focus of this study is the availability of housing opportunities for working class families -- families with one or possibly two wage earners in blue collar, clerical, or other semi-skilled jobs. Our data, on the other hand, simply classify households by income. Therefore, we begin with some definitions. As outlined in Exhibit 2, we have adapted HUD's definitions of very low, low, and moderate income levels (see Annex A for more detail).[1] It may be helpful to compare these income classes to

EXHIBIT 2:
Definition of Income Classes

	HUD Definition	Income Range
Very low income	less than 50% of local median	0 - $10,000
Low income	50% to 80% of local median	$10,000 - $15,000
Moderate income	80% to 120% of local median	$15,000 - $25,000
Middle/high income	more than 120% of local median	$25,000 +

the official poverty line ($10,178 in 1983 for a family of four). The upper bound for our very low income class roughly corresponds

1. Note that HUD's income definitions not only vary with local medians, they are also adjusted for household size. We have not reproduced these adjustments.

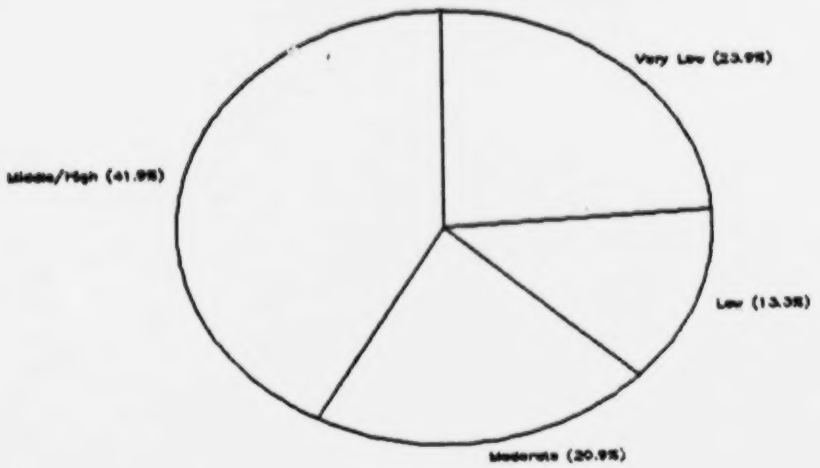
to the poverty line, while the upper bound for our moderate income group is about two and a half times higher than the poverty line. Throughout the paper, we refer to very low and low income households as poor, and to moderate income households as working class.

Exhibit 3 presents the distribution of all metropolitan households across these income classes, along with the distributions of blacks and hispanics. About 40 percent of all metropolitan households are poor (very low or low income), 20 percent are working class (moderate income), and 40 percent are affluent. The incidence of poverty is dramatically higher among minority households than for the metropolitan population as a whole. Blacks -- who account for 12 percent of metropolitan households -- are the most likely to be poor. Specifically, over half of black households are poor, about 20 percent are working class, and less than one fourth are affluent. Circumstances are only slightly less grim for hispanics -- who account for 7 percent of all metropolitan households. Roughly half of hispanic households are poor, about 20 percent are working class, and slightly over one fourth are affluent.

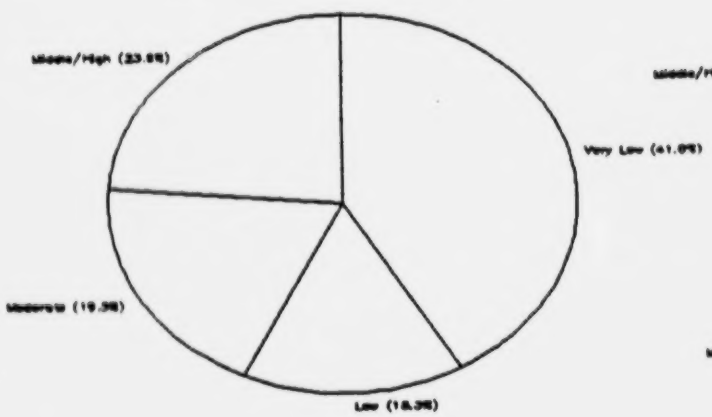
Income distributions do not vary markedly between our five sample metropolitan areas. As Exhibit 4 shows, roughly one third of metropolitan households are poor, 20 percent are working class, and 40 to 45 percent are middle- to high-income. Indianapolis and L.A. are distinctive in that they both have lower than average shares of affluent households. In Indianapolis, an above average share of moderate income

EXHIBIT 3:
Distribution of Metropolitan Households by Income Class

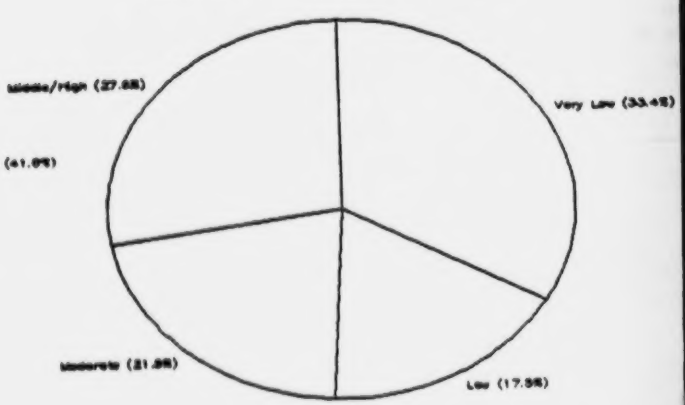
ALL METROPOLITAN HOUSEHOLDS



BLACK METROPOLITAN HOUSEHOLDS



HISPANIC METROPOLITAN HOUSEHOLDS



Note: All data are for 1983. Income classes are defined as follows: Very Low Income $0-10,000; Low Income $10-15,000; Moderate Income $15-25,000; Middle/High Income $25,000 +.

Source: Urban Institute tabulations of published American Housing Survey data.

households make up the difference, while Los Angeles has a higher than average share of poor households. Exhibit 4 also demonstrates that blacks and hispanics are consistently more likely than white households to be poor. Baltimore is the only one of our sample metropolitan areas where the income distribution for minorities is about the same as the income distribution for whites.

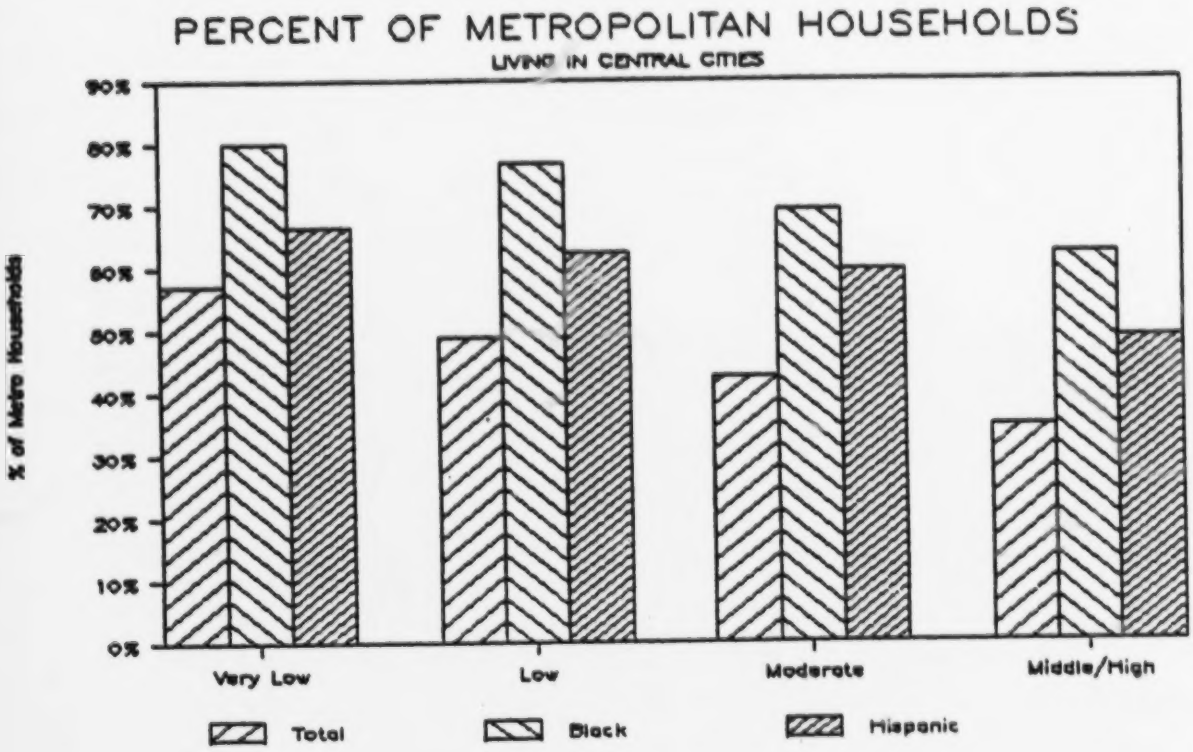
EXHIBIT 4:
Income Distributions by Metropolitan Area

	National Average	Atlanta	Balti-more	Indiana-polis	Chicago	Los Angeles
All Households:						
Very Low	23.9%	19.9%	21.2%	23.4%	22.1%	28.1%
Low	13.3	12.5	12.1	14.8	11.5	16.2
Moderate	20.9	22.9	21.6	27.7	20.2	23.4
Middle/Hi	41.9	44.7	45.0	34.1	46.5	32.3
Black Households:						
Very Low	41.3%	36.3%	21.1%	40.4%	44.9%	39.2%
Low	15.3	18.1	15.7	18.2	14.1	17.4
Moderate	19.3	23.3	22.4	23.6	17.8	23.5
Middle/Hi	23.6	22.4	40.7	17.8	23.2	19.8
Hispanic Households:						
Very Low	33.4%				31.5%	32.6%
Low	17.5	NA	NA	NA	15.9	22.4
Moderate	21.5				26.2	26.9
Middle/Hi	27.8				26.4	19.1

Source: Urban Institute tabulations of published AHS data.

Historically, the suburbs have been considerably more affluent than central cities, with the majority of a metropolitan area's poor and minority households concentrated in downtown neighborhoods. Exhibit 5 illustrates this pattern, presenting

EXHIBIT 5:
Location of Metropolitan Households
by Income Class and Race



Note: All data are for 1983. Income classes are defined as follows: Very Low Income $0-10,000; Low Income $10-15,000; Moderate Income $15-25,000; Middle/High Income $25,000 +.

Source: Urban Institute Tabulations of published American Housing Survey data.

the share of metropolitan households from each income class living in central cities, and comparing the relationship between income and location for all households with that of minority households.

Altogether, the suburbs house more than half of all metropolitan households, but only a minority of black and hispanic households. Specifically, 44 percent of all metropolitan households live in central cities, compared to 73 percent of black households and 60 percent of hispanic households. In part, the concentration of black and hispanic households in central cities is attributable to their low income levels; the incidence of central city location declines steadily as incomes rise, from almost 60 percent among all very low income households to about one third among affluent households. However, at all income levels, blacks and hispanics are substantially more likely than white households to live in the central city. In fact, even among affluent households, over 60 percent of blacks and about half of hispanics live in central city locations.

Housing Expenditures and Affordability

In the U.S. today, a gross rent exceeding 30 percent of a household's income is viewed as an excessive housing cost burden. Owners are assumed to be able to spend 40 percent of their income for housing, since they generally benefit from tax deductions and house value appreciation. Given prevailing financing terms, this means that homeowners can reasonably be expected to afford houses

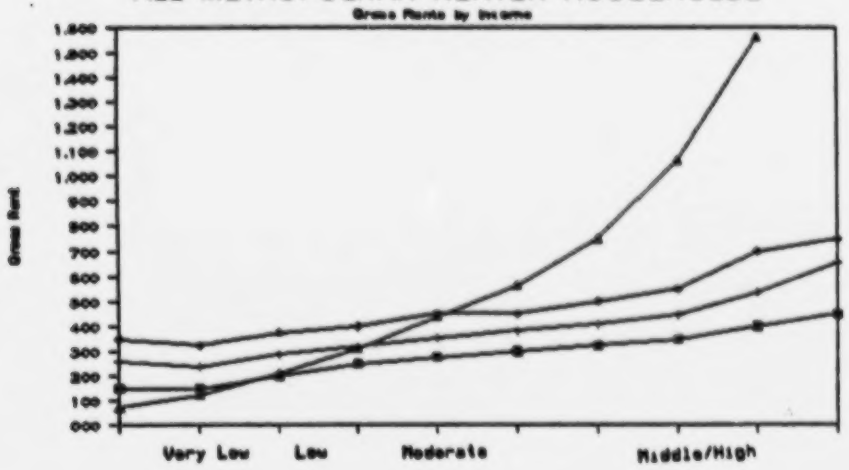
valued at about three times their annual incomes (See Annex B). Despite these normative standards, most poor families -- owners and renters -- pay considerably more for housing, while most affluent families pay less. Moderate income families -- both owners and renters -- are the most likely to have housing cost burdens close to the normative standard.

Exhibit 6 illustrates this disparity, presenting data on actual rents and values in relation to the normative standard of affordability. Specifically, at each income level, the normative expenditure standard is compared to actual expenditures for the lowest quartile, the median, and the highest quartile. For example, looking at the top panel, which applies to all metropolitan renters, we see that among very low income households the normative rent standard ranges from under $100 to about $200. In reality, however, most very low income renters pay much more. As Exhibit 6 shows, half of all very low income renters pay rents <u>above</u> the median rent line, which ranges from about $250 to $300. And three quarters of very low income renters pay rents above the low quartile rent line, which extends from $150 to $200. By contrast, for middle- to high-income renters, all three actual rent lines (lowest quartile, median, and highest quartile) fall well below the normative rent standard, illustrating that virtually all renters in this income class spend considerably less than 30 percent of their incomes for housing.

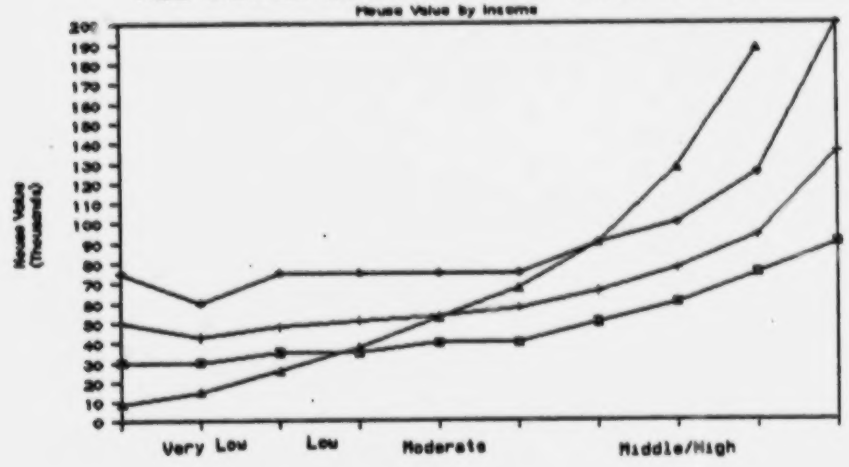
Given the high rents and values actually paid by poor households, it should come as no surprise that there is a serious

EXHIBIT 6:
Metropolitan Housing Costs and Affordability by Income Class

ALL METROPOLITAN RENTER HOUSEHOLDS



ALL METROPOLITAN OWNER HOUSEHOLDS



Key: △ Low rent quartile
□ Median rent
+ High rent quartile
◇ Affordable rent

Note: All data are for 1983. Income classes are defined as follows: Very Low Income $0-10,000; Low Income $10-15,000; Moderate Income $15-25,000; Middle/High Income $25,000 +.

Source: Urban Institute tabulations of published American Housing Survey data.

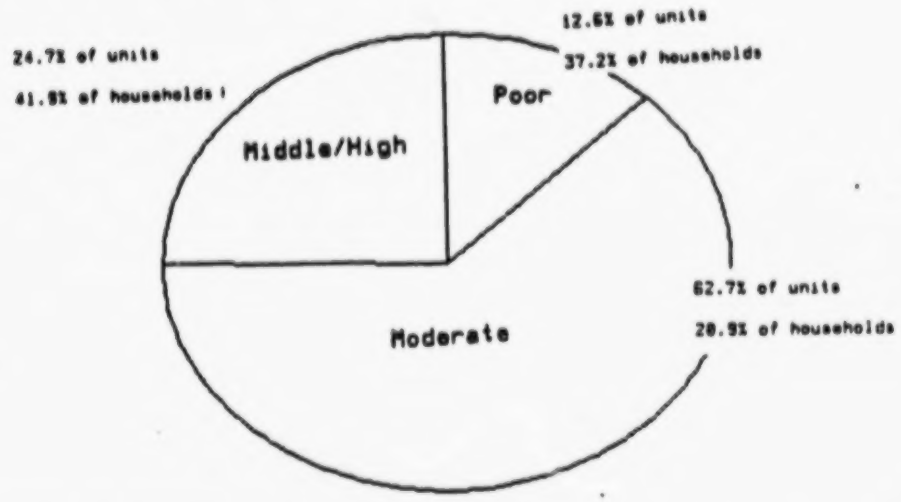
shortage of housing that poor families can reasonably afford. Exhibit 7 presents the distribution of metropolitan housing units by affordability range, where units have been defined as affordable for a particular income class, if they rent for less than 30 percent of the income (or sell for less than three times the income) of households near the middle of the class. This exhibit also compares the share of dwellings in each affordability range with the share of households in the corresponding income class, demonstrating that the number of metropolitan dwellings affordable for poor families amounts to only about one third of the number of poor households. Almost no owner-occupied dwellings are affordable for the poor, but even in the rental stock, demand exceeds the supply of affordable housing by roughly 300 percent.

In contrast, the supply of housing affordable for moderate income families is substantial -- accounting for almost two thirds of both the rental and owner-occupied stock. Only about one quarter of metropolitan housing units are out of reach of moderate income families -- 20 percent of the rental stock and 30 percent of the owner-occupied stock. On a national basis, therefore, we find no shortage of moderate cost housing, for either renters or owners.

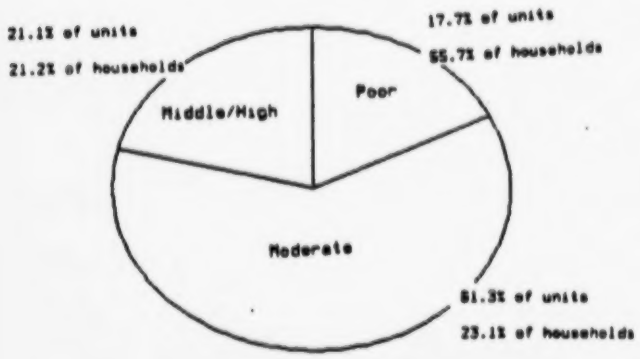
This conclusion must be tempered somewhat in light of three important data limitations. First, by identifying a dwelling as affordable for an income class when it is actually affordable to households in the middle of that class may

EXHIBIT 7:
Distribution of Metropolitan Dwelling Units by Affordability RAnge

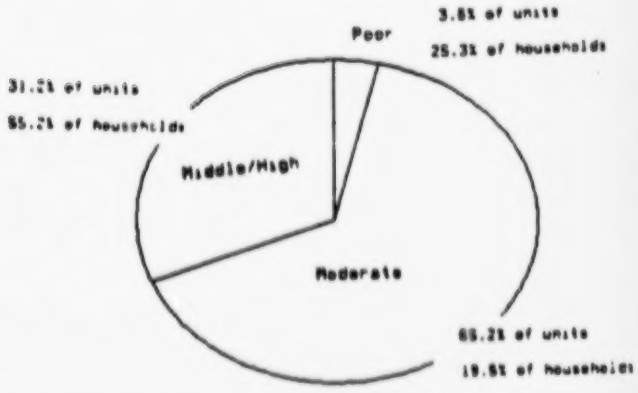
ALL METROPOLITAN HOUSING UNITS



ALL METROPOLITAN RENTAL UNITS



ALL METROPOLITAN OWNERSHIP UNITS



Note: All data are for 1983. Income classes are defined as follows: Poor $0-15,000; Moderate Income $15-25,000; Middle/High Income $25,000 +.

Dwelling units are designated as affordable for an income class if they fall at or below the affordability standard for households at the mid-point of the class.

Source: Urban Institute tabulations of published American Housing Survey data.

overstate the availability of housing for poor and working class households. Second, both lower and higher income households occupy units in the moderate price range; these units obviously are not somehow reserved for moderate income families. And finally, we have not controlled for unit size or quality. Thus, the units classified as moderate cost may in fact include luxury efficiency apartments as well as modest three bedroom houses.

Moreover, the prospects for working class families are not so rosy in all metropolitan areas. Exhibit 8 presents ratios of low and moderate cost dwellings to poor and working class households for our five illustrative metropolitan areas. Without

EXHIBIT 8:
Availability of Housing Affordable for Poor and Working Class Households in Five Metropolitan Areas

Ratio of affordable dwellings to households for:	National Average	Atlanta	Baltimore	Indianapolis	Chicago	Los Angeles
Poor	0.34	0.32	0.27	0.57	0.23	0.49
Working Class	3.00	1.96	2.05	1.78	2.08	2.83
Both	1.30	1.00	0.97	1.08	0.91	1.33

Source: Urban Institute tabulations of published AHS data.

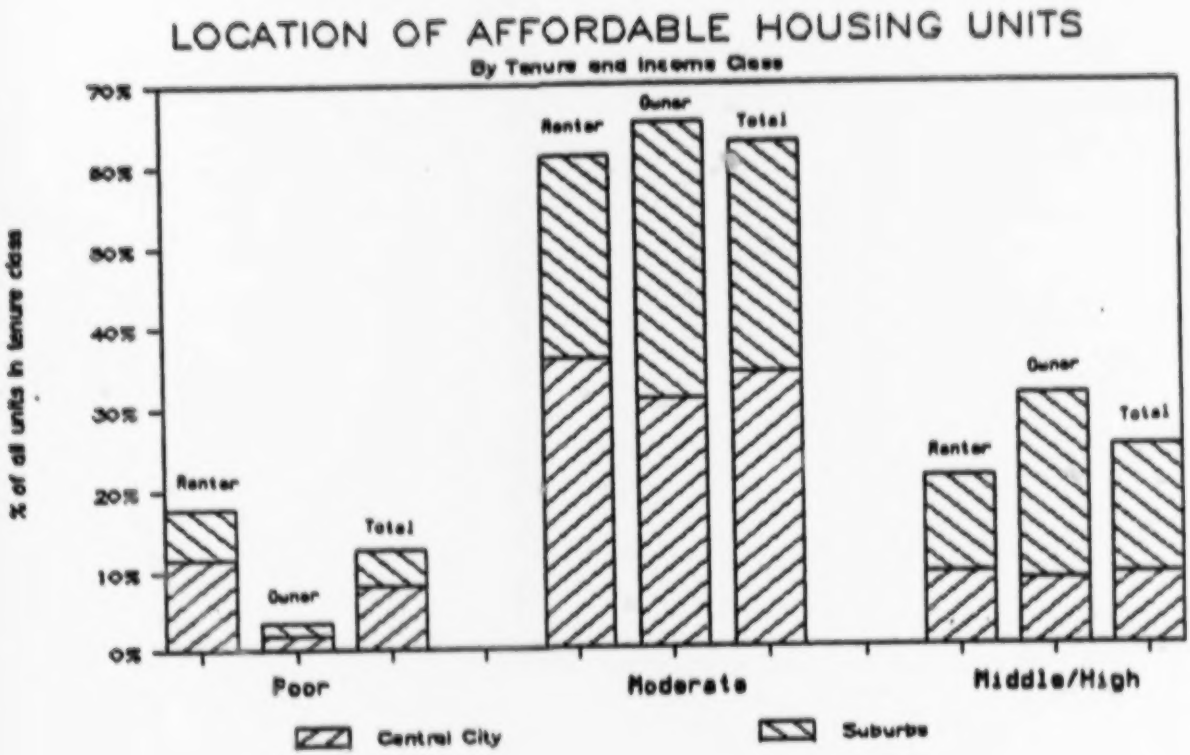
exception, the supply of units that the poor can afford falls woefully short of the number of poor households. At best, the supply of units affordable for the poor amounts to only about half of the number of poor households. And while the supply of

moderate cost housing consistently exceeds the number of working class families, the combined number of low and moderate cost units is not always sufficient to satisfy the combined needs of low and moderate income households. Specifically, in both Chicago and Baltimore the total number of poor and moderate income households is larger than the total number of low and moderate cost units, and in Atlanta the total number of poor and moderate income households corresponds almost exactly with the total number of low and moderate cost housing units. Thus, in some metropolitan areas, the shortage of low cost units -- that poor households can reasonably afford to occupy -- increases the pressure on the moderate cost stock, so that working class households, too, may have difficulty finding affordable accommodations.

Suburban Housing Opportunities

In general, moderate cost housing -- units that working class families can reasonably afford -- is just as likely to be located in the suburbs as in central cities. Overall, just over half (55 percent) of all metropolitan housing units are located in suburban areas. Exhibit 9 presents the central city/suburban distribution of units in each cost range. Poor families are clearly excluded from the suburbs; the few units that they can reasonably afford are concentrated in central cities, and are predominantly rental units. In contrast, units that are only within the reach of middle- to high-income households are more likely to be located in the suburbs. But moderate cost housing

EXHIBIT 9:
Distribution of Metropolitan Dwelling Units by Location and Affordability Range



Note: All data are for 1983. Income classes are defined as follows: Poor $0-15,000; Moderate Income $15-25,000; Middle/High Income $25,000 +.

Dwelling units are designated as affordable for an income class if they fall at or below the affordability standard for households at the mid-point of the class.

Source: Urban Institute tabulations of published American Housing Survey data.

is quite evenly divided between central cities and suburbs. Thus, as a general rule, there is no reason to conclude that housing affordable for working class families is unavailable in suburban areas.

This general conclusion applies to three of our five illustrative metropolitan areas, as illustrated by Exhibit 10, which presents central city concentration indexes for dwellings in each affordability range. An index value of 1.0 indicates that, given the relative size of the central city and the suburbs, dwellings in a given affordability range are evenly distributed between the central city and the suburbs. A higher index value indicates that an affordability range is concentrated in the central city, while an index value less than 1.0 indicates that an affordability range is concentrated in the suburbs.

Of the five metropolitan areas, only Chicago and Baltimore exhibit high central city concentrations of moderate cost housing. In the other three metropolitan areas, housing affordable for working class households is much more evenly distributed between the central city and the suburbs. Exhibit 10 also supports the general finding that low-cost housing tends to be concentrated in central cities, while high-cost housing is concentrated in the suburbs. Indianapolis is the only one of our illustrative metropolitan areas in which housing in all affordability ranges appears relatively evenly distributed between central city and suburban jurisdictions.

EXHIBIT 10:
Central City Concentration Indexes by Housing Affordability Range in Five Metropolitan Areas

	Housing Units Affordable for: Poor	Moderate	Mid/high	Total Units
National Average				
Percent central city	63.8	54.3	32.1	44.7
Concentration index	1.4	1.2	0.7	--
Atlanta				
Percent central city	64.7	30.2	11.4	25.4
Concentration index	2.5	1.2	0.4	--
Baltimore				
Percent central city	70.6	59.7	13.0	39.7
Concentration index	1.8	1.5	0.3	--
Indianapolis				
Percent central city	77.2	67.1	49.5	64.4
Concentration index	1.2	1.0	0.8	--
Chicago				
Percent central city	74.3	58.8	21.9	41.2
Concentration index	1.8	1.4	0.5	--
Los Angeles				
Percent central city	63.9	51.2	38.5	46.9
Concentration index	1.4	1.1	0.8	--

Source: Urban Institute tabulations of published AHS data.

While this evidence indicates that there are housing opportunities in the suburbs that working class families can afford, black families still have not gained access to these suburban housing opportunities. Exhibit 11 contrasts the black and Hispanic share of all metropolitan housing in each affordability range with their share of suburban housing in the same range. Regardless of housing cost, blacks are substantially under-represented in suburban housing. To illustrate, blacks occupy over 30 percent of all low-cost metropolitan housing units, but less than 15 percent of the low-cost suburban units. Similarly, blacks occupy about 17 percent of all moderate-cost housing, but only about 8 percent of the moderate-cost units in the suburbs. Even the small share of blacks who can afford to occupy high-cost housing units are significantly more likely to live in the central city than in the suburbs.

There are several possible explanations for the failure of black families to gain access to the suburban housing opportunities that are affordable for them. First, discriminatory housing market practices (by sellers, landlords, and/or real estate agents) may prevent blacks from renting or buying housing in the suburbs.[1] However, even if discriminatory practices have been eliminated, the effects of <u>past</u> discrimination can persist. For example, black home seekers may

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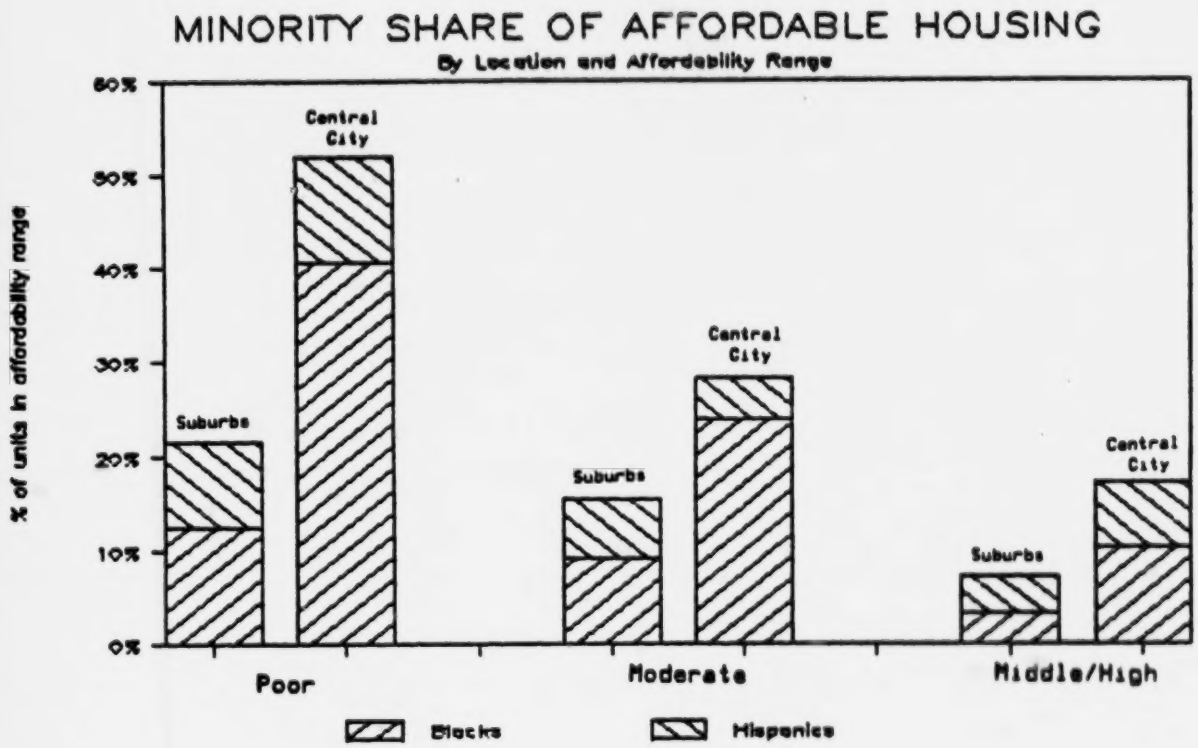
1. See Wienk et al (1979), Yinger (1979) and Goering (1986).

EXHIBIT 11:
Minority Access to Housing Opportunities by
Location and Affordability Range



Note: All data are for 1983. Income classes are defined as follows: Poor $0-15,000; Moderate Income $15-25,000; Middle/High Income $25,000 +.
Dwelling units are designated as affordable for an income class if they fall at or below the affordability standard for households at the mid-point of the class.

Source: Urban Institute tabulations of published American Housing Survey data.

be unaware of suburban housing opportunities, because so few of their acquaintances live in suburban jurisdictions; they may be unwilling to move into predominantly white neighborhoods, away from relatives, friends, and familiar social organizations; or they may fear hostile reactions from the current residents of predominantly white suburban communities.[1]

None of our five illustrative metropolitan areas offers blacks equal access to housing opportunities in the suburbs. Exhibit 12 presents central city concentration ratios for each affordability range by metropolitan area. For a given affordability range, the concentration ratio is equal to black representation in central city units in the affordability range divided by black representation in suburban housing in the same affordability range. To illustrate, if blacks occupied 20 percent of all moderate cost housing in a particular metropolitan area, and, if race played no role in determining a household's location, then one would expect 20 percent of the moderate cost central city units and 20 percent of the moderate cost suburban units to be occupied by blacks. If this were the case, the concentration ratio would equal 1.0. Ratios higher than 1.0 reflect the extent to which blacks are underrepresented in the suburban housing opportunities available within a given price range.

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1. See Vidal (1980).

EXHIBIT 12:
Central City Concentration Ratios by Housing Affordability Range in Five Metropolitan Areas -- Black Households

	Housing Units Affordable for: Poor	Moderate	Mid/High	Total
National Metro Average				
Percent black central city	40.6	24.1	10.5	21.7
Percent black suburbs	12.7	9.4	3.4	6.1
Concentration ratio	3.19	2.57	3.14	3.58
Atlanta				
Percent black central city	80.7	66.1	29.3	62.7
Percent black suburbs	30.9	20.4	6.7	13.7
Concentration ratio	2.61	3.23	4.35	4.58
Baltimore				
Percent black central city	63.4	44.2	29.3	45.0
Percent black suburbs	6.5	4.3	4.9	4.8
Concentration ratio	9.72	10.35	5.99	9.47
Indianapolis				
Percent black central city	33.4	17.2	6.9	19.1
Percent black suburbs	--	--	--	2.8
Concentration ratio	--	--	--	6.7
Chicago				
Percent black central city	58.0	40.9	25.4	39.1
Percent black suburbs	14.7	9.2	3.1	5.2
Concentration ratio	3.9	4.5	8.3	7.5
Los Angeles				
Percent black central city	21.9	18.8	12.2	16.8
Percent black suburbs	6.8	10.6	13.2	10.9
Concentration ratio	3.22	1.78	0.93	1.54

Source: Urban Institute tabulations of published AHS data.

Of the five metropolitan areas we have examined, only Los Angeles has concentration ratios anywhere near 1.0. In the other cities, blacks are three to ten times more likely to be in the central city than in the suburbs, controlling for housing affordability. And in Baltimore, blacks' representation in central city low and moderate cost housing is about ten times higher than their representation in comparably priced suburban housing. At all income levels, black families are unable to take advantage of the housing opportunities affordable for them in the suburbs. Our analysis does not indicate whether black access to suburban housing is limited by discriminatory market practices, by lack of information about suburban housing markets, or by perceived or anticipated discrimination, but it does show that -- at all income levels -- opportunities for black families to obtain housing in suburban areas are severely restricted.

Hispanic families appear to face lower barriers to suburbanization than blacks.[1] Exhibit 13 presents concentration ratios for hispanics in Los Angeles and Chicago and for the national average. These data suggest,however, that housing circumstances among hispanics are extremely sensitive to local metropolitan conditions. In L.A., for example, hispanics are over-represented in moderate- and high-cost suburban housing. This may reflect the fact that L.A. suburbs have swallowed up some older towns that were predominantly hispanic before they

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1. See Lopez (1986), however, for a review of recent literature on housing conditions and housing discrimination experienced by hispanic households.

became part of the metropolitan area. However, in Chicago, where hispanics are considerably more likely to be concentrated in the central city, they are again over-represented in moderate-cost suburban units. Clearly, more information is needed to explain existing patterns of hispanic access to suburban housing opportunities.

EXHIBIT 13:
Central City Concentration Ratios by Housing Affordability Range in Five Metropolitan Areas -- Hispanic Households

	Housing Units Affordable for: Poor	Moderate	Mid/High	Total
National Metro Average				
Percent hispnc central city	11.4	4.2	6.8	6.1
Percent hispnc suburbs	8.9	6.2	4.0	5.1
Concentration ratio	1.3	0.7	1.7	1.2
Chicago				
Percent hispnc central city	18.2	3.4	3.8	5.6
Percent hispnc suburbs	6.4	6.1	1.4	3.0
Concentration ratio	2.8	0.6	2.7	1.9
Los Angeles				
Percent hispnc central city	33.6	6.6	12.8	13.5
Percent hispnc suburbs	19.3	26.9	26.3	25.4
Concentration ratio	1.7	0.2	0.5	0.5

Source: Urban Institute tabulations of published AHS data.

3. Addressing the Problem

Our exploratory analysis of aggregate data for the U.S. as a whole and for five illustrative metropolitan areas suggests that 1) the availability of housing that poor households can reasonably afford is severely limited; 2) in general, moderate cost housing -- affordable for working class families -- is much more widely available, although in some metropolitan areas, the combined demands of poor and working class households may exceed the combined supply of low and moderate cost housing; 3) in most areas, moderate cost housing is roughly evenly distributed between central city and suburban neighborhoods, although we do not know where in the suburbs moderate cost housing is located; and 4) black households have been unable to gain equal access to suburban housing opportunities, even those that they can afford.

All of these conclusions clearly warrant more extensive examination, as discussed in the final section of this paper. But along with the need for further analysis comes the need for policy development. This section, therefore, outlines the range of public policy solutions available for attacking the problems of housing affordability and availability faced by poor and working class minorities.

The recent history of U.S. housing policy includes a wide range of solutions designed to make housing more affordable and to overcome the effects and past and present racial discrimination. However, these solutions have not been integrated to form a systematic attack on the problems

confronting poor and working class minorities. Instead, programs that produce low-cost housing or help families pay for market-rate housing are rarely administered in conjunction with fair housing efforts. Moreover, the full range of available solutions is rarely deployed at the metropolitan level; some programs are national in scope, while others fall within the domain of state and local jurisdictions. Thus, the goal of this discussion is to provide a framework for the development of metropolitan strategies for making housing more affordable and for opening up suburban housing opportunities to minority families.

Housing Policy Matrix

The nexus of housing problems documented in the first section of this paper cannot be addressed by any single policy solution. For example, the types of policies that are useful for addressing affordability problems are completely different from the types of policies that can be effective for attacking racial discrimination. Exhibit 14 identifies six generic housing policy solutions (down the left-hand column), and arrays them against five broad housing problems (across the top row). Each cell in this matrix indicates whether, and under what conditions, a particular policy solution can be effective for addressing a given housing problem.

Before launching into a discussion of the various policy solutions, it may be helpful to briefly review the five potential housing problems included in Exhibit 14:

EXHIBIT 14:
HOUSING POLICY MATRIX

PROBLEMS / POLICIES	Poor households must pay too much for decent housing	Hsng affordable for the poor is scarce in areas of job growth	Working class households must pay too much for housing	Hsng affrdable for wrkng class scarce in areas of job growth	Minorities lack access to hsng in areas of job growth
Housing allowances for poor households	YES IF: supply of mod-cost units is adequate in the metro area	YES IF: mod-cost units are located in areas of job growth	NO	NO	NO
Deep subsidies for the production of low cost units	YES	YES IF: subsidized units are sited in areas of job growth	YES IF: poor are competing with wrkng class for mod cost units	NO	YES IF: subsidized units are marketed to minorities
Shallow subsidies for the production of mod cost units	NO	NO	YES	YES IF: new units are built in areas of job growth	YES IF: new units are marketed to minorities
Elimination of costly zoning requirements, "inclusionary zoning"	NO	NO	YES IF: zoning/bldng codes prevent mod cost construction	YES IF: zoning/bldng codes prevent mod cost construction	NO
Aggressive enforcement of fair housing laws	YES IF: discrimination bars some poor minorities from affrdble units	NO	NO	YES IF: discrim bars some mod-inc minorities from affrdble units	YES IF: discriminatory practics are limiting minority access
Affirmative marketing to integrate suburban communities	YES IF: lack of info bars some poor minorities from affrdble units	NO	NO	YES IF: lack of info bars mod-inc minorities from affrdble units	YES

Poor households must pay too much for decent housing. Our empirical analysis provides clear evidence of a shortage of housing that poor households can afford. As a result, the majority of poor households spend an excessive share of their incomes for housing.

Housing affordable for the poor is scarce in areas of job growth. Housing units that poor families can reasonably afford are generally concentrated in the central city. Thus, if employment centers are located in suburban areas, poor households will be unlikely to find affordable housing close to job opportunities.

Working class households must pay too much for housing. Our exploratory analysis suggests that this is generally not the case. However, more refined measures of housing affordability and suitability may show that in some metropolitan areas, housing affordable for working class families is in short supply.

Housing affordable for the working class is scarce in areas of job growth. Again, our exploratory analysis suggests that moderate-cost housing is quite evenly distributed between central cities and suburbs. However, this does not ensure that housing opportunities in areas of employment opportunity are necessarily affordable for working class families.

Minorities lack access to housing in areas of job growth. Even after controlling for income differences, blacks are clearly underrepresented in suburban areas. Thus, if employment centers are expanding in suburban jurisdictions, black families are likely to have difficulty gaining access to housing near the new job opportunities.

The extent to which some or all of these problems exist in a particular metropolitan area will determine the mix of policies that is appropriate for ensuring the availability of housing for poor and working class households and for expanding minority access to housing in areas of expanding employment opportunities. We now review the contents of Exhibit 14, discussing each of the generic policy solutions, and the circumstances in which it can be an effective mechanism for addressing problems of housing affordability and access for poor and working class minorities.

Housing Allowances for Poor Households. In recent years, housing allowances -- or housing vouchers -- have become the primary mechanism for federal housing assistance to the poor. Housing allowances supplement the rent that poor households can afford to pay for conventional units in the existing housing stock. Typically, participants contribute about 30 percent of their income, and the government pays the difference between the household contribution and a reasonable, "fair market" rent for a modest housing unit. In some housing allowance programs, households can contribute more than 30 percent of their income if they so choose, but the government's contribution is limited to the gap between the fair market rent and 30 percent of the household's income. Other programs prohibit recipients from living in units where the rent exceeds the fair market rent.

Housing allowances can be an extremely effective mechanism for addressing the affordability problems of poor households as long as there are sufficient, standard quality units available at or below the applicable fair market rent. However, in markets where moderate cost units are in short supply, households who receive housing allowances may still have difficulty finding suitable units with rents below the fair market rent. Thus, under the right conditions housing allowances can be useful for solving the first two problems in our matrix:

> Housing allowances can help alleviate an overall shortage of units that poor families can afford if the metropolitan area's supply of moderate-cost units is adequate.
>
> Housing allowances can enable poor households to afford housing close to areas of job growth if the supply of moderate-cost housing in these areas is adequate.

When these conditions do not apply, housing allowances will not work. Instead, it may be necessary to provide deeper and more long-term subsidies to induce the production of new housing units for occupancy by poor households.

Deep Subsidies for the Production of Low-Cost Units. During the 1960s and 1970s, the federal government developed a complex set of subsidies designed to make it profitable for private developers to build new -- or substantially rehabilitated -- housing for poor families. Generally, three subsidy forms were combined for each project -- below-market financing, tax benefits to property owners, and direct rent subsidies. This combination of subsidies -- though costly -- was effective in inducing private developers to build and rehab housing for the poor. The Reagan administration has virtually eliminated these housing production subsidies, on the grounds that they are excessively expensive and that housing allowances are sufficient to address the housing needs of low-income families.

However, as discussed above, there may be some markets in which the supply of moderate-cost housing is not sufficient to meet the needs of poor families, even if housing allowances were widely available. In circumstances such as these, housing production subsidies may be necessary to address the shortage of affordable units. Production subsidies may also be called for when the objective is to increase the supply of affordable housing in a particular area, such as neighborhoods near a growing employment center. Siting subsidized construction near

an area of expanding employment opportunities might be the most effective way of providing housing that poor people can afford in close proximity to new jobs.[1]

Shallow Subsidies for the Production of Moderate-Cost Units. Working class households have much greater resources to spend on housing than do poor households. As a result, in circumstances where working class families confront scarce housing opportunities, it should be possible to increase production with relatively shallow subsidies. Below market interest rate programs have been widely used by federal, state, and local agencies to make homeownership affordable for working class families who cannot afford mortgages at prevailing market rates. This approach can be particularly effective when it is targetted to first-time homebuyers.

Generally, shallow subsidies for moderate income homebuyers are not tied to specific geographic areas. Instead, individual recipients use their subsidies to obtain housing in their preferred locations that would not otherwise have been affordable. Thus, if a particular suburban community is attractive to working class families because of its proximity to job opportunities, shallow interest rate subsidies can help make the housing in that community affordable for the working class. Similarly, if a shallow housing subsidy program for moderate

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1. Note that a subsidized enclave in an otherwise middle-class suburb might not offer sufficient opportunities for interaction with other workers and/or job seekers, and that such interaction may be an essential source of job market information.

income households is effectively marketed to minority households, residential neighborhoods close to suburban employment centers may experience greater racial integration.[1]

Elimination of Costly Zoning Requirements and "Inclusionary" Zoning. In some suburban jurisdictions, zoning requirements may serve as an effective barrier to working class households. For example, requirements for large lot sizes, exclusion of multi-family structures or manufactured housing, and high levels of infrastructure amenities can result in construction costs that are out of reach for the working class. If suburban jurisdictions have imposed exclusionary zoning requirements of this kind, their elimination may result in an increased supply of housing that working class families can afford. Clearly, exclusionary zoning in communities where employment growth is occurring will limit opportunities for working class families to live near the new jobs.

While the elimination of exclusionary zoning provisions may be sufficient in some jurisdictions, a more aggressive strategy is to actively encourage the production of moderate cost housing units through "inclusionary" zoning. Examples of such strategies include requirements that new housing developments include some pre-defined share of modest units affordable for moderate income families. Requirements of this kind not only enable developers

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1. Thus, key issues for further exploration include the extent to which blacks have participated in shallow subsidy programs for moderate income homebuyers, and the locations to which participants have moved.

to build housing that working class families can afford, they force developers to include such units in every development project. Thus, in circumstances where moderate cost housing is not available in areas of employment growth, an inclusionary zoning policy could be effective at opening up housing opportunities for working class households.[1]

It is not reasonable to expect zoning reform, or even an aggressive inclusionary zoning strategy to increase the supply of housing that poor households can afford. Zoning adjustments can reduce construction costs significantly, but not enough to make it profitable to build housing for the poor. Deeper subsidies -- to the household, to the developer, or possibly to both -- are needed in order to make new construction affordable for low income households.

Aggressive Enforcement of Fair Housing Laws and Affirmative Marketing to Integrate Suburban Communities. As our policy matrix suggests, programs designed to address problems of housing affordability do not automatically improve minority access to suburban housing opportunities. When public agencies directly subsidize new construction, they may be able to achieve some desegregation by marketing the new units to minority households. But subsidies alone will not significantly increase minority access to suburban housing.

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1. Again, an assessment of the impacts of existing inclusionary zoning efforts is needed to determine the circumstances in which they can be effective.

In communities where discriminatory housing market practices are a primary factor limiting minority access to areas of job growth, then a program of aggressive enforcement of fair housing laws may be an effective solution. However, if residential segregation persists in part because of fear on the part of minority households to move to white communities or because minority families are unaware of suburban housing opportunities, then a different approach is called for. Specifically, an aggressive metropolitan campaign to inform minority households about suburban communities and to market suburban housing opportunities might be needed to overcome past patterns of residential segregation.

Fair housing enforcement and affirmative marketing may also ameliorate affordability problems, especially in very tight housing markets. To illustrate, when the supply of housing is tight relative to demand -- either in the metropolitan area as a whole or in particular sub-markets -- landlords and/or real estate agents can more easily afford to discriminate on the basis of race. If they do, the pool of affordable housing units to which minorities have access is further restricted, increasing the number of poor and working class minorities who will have to spend an unreasonable share of income for housing. Thus, fair housing policies that open up opportunities not previously available to minorities can help address problems of affordability as well as problems of access.

Designing a Metropolitan Strategy

The matrix of policies and problems outlined above demonstrates that very different types of policies are needed to solve the various components of the overall problem of housing affordability and availability for poor and working class minorities. No single policy can address all the components. Moreover, no single combination of policies will be effective for all metropolitan areas. The effectiveness of every policy in Exhibit 14 is conditioned on local circumstances.

Thus, there are two major challenges to overcome in order to develop a package of policies that can effectively attack the problems of housing affordability and access confronting poor and working class minorities. First, such a package must integrate policies and programs that normally operate independently. For example, housing allowance programs (which address the affordability problems of the poor) are typically allocated by the federal government and administered by local housing authorities, while below-market loans for working class homebuyers may be issued by a state housing finance agency, and zoning regulations are controlled by local jurisdictions. But coordinating the priorities and activities of these diverse jurisdictions is clearly necessary if affordable housing opportunities are to be opened up for poor and working class minorities in suburban employment centers.

The second -- and equally daunting -- challenge is to tailor the package of policies to local circumstances. As discussed above, the effectiveness of various policy solutions depends on

local circumstances. For example, a package that makes sense in a metroplitan area that has an ample supply of moderate-cost housing distributed throughout the suburbs would not be effective in a metropolitan area where the majority of moderate-cost housing is concentrated in older, declining suburban communities. Thus, unique metropolitan solutions need to be based on detailed analyses of the character and causes of the problems of housing affordability and availability confronted by minority households. In the next section, we review key research issues that would need to be addressed in order to develop an effective metropolitan strategy.

4. Keys to Understanding the Problem Better

More extensive analysis is clearly needed to fully understand the problems of housing affordability and availability faced by poor and working class minorities in American metropolitan areas. Our empirical analysis outlines the dimensions of a complex national problem, but it is constrained by significant data and methodological limitations. Further analysis needs to employ more sensitive measures of affordability and availability, disaggregate central city and suburban areas into more meaningful geographic units, and focus more explicitly on the variations among metropolitan areas, linking current housing market outcomes to economic or demographic trends. This section discusses some of the key research issues raised by our exploratory analysis, suggesting critical areas for further study.

Availability of Affordable Housing

Employing commonly accepted standards of affordability for renters and owners, we have shown that poor families face a deficient supply of affordable housing, both nationally and in each of the cities studied. Moderate income households, on the other hand, generally do not encounter shortages of affordable, moderately priced housing, notwithstanding competition from higher and lower income groups. Consequently, most poor households are actually spending more for housing than is deemed affordable, while the expenditures of moderate income households

fall close to the normative standard, and higher income families spend considerably less.

One problem inherent in our classification of households and dwelling units is that it overlooks diversity. We have characterized dwellings in terms of their costs and households in terms of their incomes, and have attempted to match households with dwelling units they can afford. Simple indicators of location and race are also incorporated, but the many other dimensions along which dwellings and households exhibit diversity are ignored. For example, it would be desirable to reassess the supply of affordable housing after excluding units that are substandard. Likewise, and perhaps more importantly in terms of matching households with dwelling units, any further study should include measures of household and dwelling size in order to determine the extent to which poor and working class households of different sizes can obtain affordable housing units with the number of rooms they need.

Matching households with suitable and affordable dwellings is further complicated by the fact that the existence of a house is an imperfect measure of its availability to a family seeking housing. In other words, there may be a significant difference between a static picture of the existing housing stock and a dynamic picture of the housing units that actually become available in a given time period. Thus, a profile of recent movers (or of housing units on the market) could yield quite different conclusions about where in the metropolitan area housing is actually available, how affordable it is, and whether

minorities are successful at gaining access to it. The static picture also overlooks new construction -- how big a role do new housing units play in determining availability, where are newly constructed units located, and who can afford to buy them?

In addition to refining the measures and analytic methods that we have employed here, future research should focus on the role of local factors in producing different outcomes in different cities. At this point, we can only hypthesize about major factors that may explain the variations we observed in the availability of affordable housing across metropolitan areas:

> Demographics -- Is the metropolitan area experiencing rapid growth in the number of households, as a result of either population increase or declining household size? Has high demand reduced the availability of affordable housing by lowering vacancy rates or increasing housing costs?
>
> Income levels -- How are incomes in the metropolitan area changing relative to housing costs? Are more families in poverty? Are rising incomes fueling new construction?
>
> Age of the existing housing stock -- How much has depreciation and/or deterioration affected the local housing stock? What percent is recently constructed? How responsive is the existing housing stock to the demands of a changing metropolitan population?
>
> Local regulatory policies -- Does rent control depress rents and/or create a tighter rental market? Are there relevant growth controls or zoning restrictions inflating housing costs or limiting supply in suburban jurisdictions?

While national analysis of housing affordability provides a useful starting point, a full understanding of the scope and determinants of local affordability problems can only be achieved through a broader analysis of the metropolitan context. Just as the magnitude of any housing problem may vary from city to city, so to will the causes of that problem. And, as discussed in the previous section, the effectiveness of possible policy remedies

for a particular metropolitan area depends critically upon the causal context there.

Location of Affordable Housing

Not surprisingly, our empirical results show that housing opportunities for poor households and for high income households are predominantly concentrated in the central city and the suburbs, respectively. However, affordable opportunities for moderate income households -- both owners and renters -- appear to be more evenly distributed between central cities and suburbs.

The most serious limitation with this component of our analysis is our inabililty to more meaningfully differentiate location within the metropolitan area. The central city versus suburban dichotomy is only a very rough surrogate for the issue of real concern, which is -- can working class households find affordable housing reasonably close to areas of employment growth? While moderate cost housing appears to be generally available in suburban areas, our analysis does not indicate whether it is concentrated in particular parts of the suburbs, such as older, close-in suburban communities, or whether affordable housing is being developed in newly expanding areas of job growth.

Similarly, the data presented in Section 2 do not reflect the extent of economic segregation inside central cities. Casual observation suggests that persistently poor households tend to be concentrated in low quality central city neighborhoods.[1] Higher

1. See the draft analysis by Bane (1987)

quality neighborhoods in both the central city and the suburbs are less likely to offer housing that poor and working class households can afford.

When we begin to think about more refined locational distinctions, the need to focus on particular metropolitan areas becomes even more compelling. Only by identifying actual areas of employment growth in specific metropolitan areas can we determine the availability of affordable housing in these areas. Moreover, as discussed earlier, housing location patterns can best be understood in the context of the economic, demographic, and spatial development of particular metropolitan areas. For example,

> How does the size of the central city relate to the metro area as a whole? Have typically "suburban" areas been annexed, or does the central city jurisdiction correspond to the central business district?
>
> What is the nature of the suburban areas? Are they newer "bedroom suburbs" or older, established towns that have been swallowed by the exanding metropolitan area?
>
> Where is economic activity and economic growth concentrated in the metropolitan area? How closely does the city correspond to the classic mono-centric city model?
>
> Where are suburban job opportunities located? Are they dispersed throughout the suburban ring or are they clustered? Are they more likely to be located in the inner suburbs, or are they on the fringes of the metropolitan area?
>
> What types of jobs are available in suburban growth centers? Do they offer opportunities for blue collar and/or semi-skilled workers or are they primarily technical or professional positions?
>
> What types of residential neighborhoods are near the suburban growth centers? Is new housing being built in these areas, or do established residential communities already exist?

Minority Access to Affordable Housing

The third major conclusion of our exploratory analysis is that, even after controlling for income disparities, blacks are substantially under-represented in the suburban housing stock. In other words, black families who can afford suburban housing remain systematically concentrated in central cities. Even affluent black households are more likely to live in the central city than in the suburbs where the majority of high-cost housing opportunities are located.

It is worth noting again at this juncture that observed disparities in central city versus suburban residence are only rough surrogates for what we are trying to measure. Issues for further analysis include the extent to which minority households are concentrated in particular parts of the suburbs, and the extent to which they can live reasonably close to areas of employment growth.

In addition, ongoing analysis of suburban housing opportunities for minority households should attempt to determine the relative importance of the various deterrents to minority suburbanization. The reasons why blacks are under-represented in suburban neighborhoods certainly vary from one metropolitan area to the next, and understanding these reasons is a critical prerequisite for the design of effective public policies. What accounts for the residential segregation we observe? Active discrimination in the housing market is known to persist, although many of the subtle, less than overt forms it can take make it difficult to detect and even more difficult to regulate.

Clearly, however, other factors contribute to observed patterns of residential segregation. Blacks may limit their housing search to familiar, central city neighborhoods or they may choose not to move to suburban communities that are far from friends and family. But these alternative explanations of housing patterns by no means undermine the argument that it is racial discrimination or prejudice that prevents black households from taking advantage of affordable housing opportunities in the suburbs. In fact, unfamiliarity of blacks with suburban neighborhoods, and fear of moving into a predominantly white community both reflect the effects of past prejudice and housing market discrimination.

Thus, current patterns of racial segregation are clearly attributable to past and present discrimination. The debate is only over the current importance of different forms of discrimination, and the impediments to greater integration in particular metropolitan areas. Specifically, the following issues warrant careful attention:

> Do discriminatory housing market practices persist in the metropolitan area or in some segments of it? If so, what form do these discriminatory practices take?
>
> Is there active discrimination in the suburban job market? Employment discrimination would account directly for some of the difficulties minorities have gaining access to new jobs. Moreover, job discrimination may play a role in residential segregation by denying minorities both employment in the suburban areas (the <u>need</u> to live there) and the <u>income</u> to enable them to live there.[1]

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1. Another and more disturbing possibility is that the exodus of capital and employers from central cities is itself a discriminatory strategy based in part on the existing spatial distributions of the various classes and types of workers.

What are the housing search patterns of black households in different income classes? Do they experience fear of or distaste for moving into predominantly white neighborhoods? If blacks are employed in suburban growth centers are they living nearby? Did they search for housing in these areas?

Do the city's predominantly white suburbs reflect past patterns of white flight? Inasmuch as this is separate from the active exclusion of blacks, it may account for some of the observed residential segregation, though of course it is no less discriminatory.

Do black families lack the assets needed to achieve homeownership in the suburbs? Studies have shown that, even when income is not a constraint, blacks have fewer financial assets than whites, largely due to past discrimination and scarcer opportunities for accumulation.

Summary

Our analysis demonstrates that serious problems of excessive cost and lingering discrimination discourage poor and working class minorities from gaining access to affordable housing opportunities in the suburbs. Moreover, these problems appear to prevail -- in varying combinations and to varying degrees -- in most American metropolitan areas. However, the composition and causes of these problems vary substantially from one metropolitan area to another. Thus, solutions must be tailored to the metropolitan context, and must be supported by a thorough analysis of local patterns of housing affordability and availability.

Essential issues for in-depth analysis include the following:

Availability of affordable housing for poor and working class families -- Taking size, quality, and current availability into consideration, are there sufficient affordable units for the metropolitan area's poor and working class households?

Proximity of affordable housing to areas of suburban employment growth -- What are the characteristics of suburban growth centers and the nearby residential communities? Do local economic and regulatory conditions act as impediments and/or inducements to the production of moderate cost housing in these communities?

Impediments to minority access to suburban housing opportunities -- To what extent and in what forms do discriminatory housing market practices persist? How do the housing search patterns of minorities determine their housing outcomes?

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ANNEX A: DEFINITION OF INCOME CLASSES

In 1983 (the most recent year for which household income data are available) the median income for all U.S. households was about $20,000. The median for households living in metropolitan areas was somewhat higher, but not as high as $25,000. For metropolitan households, median incomes are reported separately for owners and renters, making it impossible to determine exactly what the median is for metro households. Therefore, we have adopted $20,000 as an estimate of median household income for urban households in the early 1980s.

HUD uses the following definitions for its income classes, applied to local median incomes adjusted for household size:

0-50% of median -- very low income

50-80% of median -- lower income

80-120% of median -- moderate income

Applying these definitions to the $20,000 median income estimate yields cut-offs of $10,000, $16,000, and $24,000. However, published data are reported in $5,000 increments. Therefore, we use the following approximations of the HUD standard:

0 - $10,000 -- very low income

$10,000 - $15,000 -- lower income

$15,000 - $25,000 -- moderate income

$25,000 + -- middle/high income

ANNEX B: DEFINITION OF AFFORDABILITY STANDARDS

For renter households, the normative affordability standard corresponds to a gross rent (rent plus any utilities not included in rent) equal to 30 percent of income. Owners are assumed to be able to afford to spend 40 percent of income on housing, due to the tax benefits associated with homeownership and to future benefits from property appreciation. Given 9 to 10 percent interest rates prevailing in the early 1980s when our data were collected, the capitalized value of this income share corresponds to a house value of about 3 times total annual income.

We could use data on actual rents and values by income class to construct an alternative set of affordability measures. This alternative set reflects the fact that many households spend considerably more than 30 percent of their incomes for housing, and that therefore, 30 percent is <u>not</u> the effective maximum that they can afford to pay. In the table that follows, the first panel of rents and values represents the normative affordability standard, while the second panel represents empirical ceilings on the rents and values actually paid by 75 percent of the households in each income class. These can be interpreted as the most that the majority of households are <u>observed</u> to pay for housing.

Income Class	Normative Standards		Empirical Standards	
	RENT	VALUE	RENT	VALUE
Poor	$200	$30,000	$375	$75,000
Moderate	$450	$50,000	$450	$75,000
Middle/High	$1,000	$200,000	$550	$125,000